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A COMPARATIVE ANALYSIS OF THE DEGREE OF FINANCIAL LEVERAGE BETWEEN PT UNILEVER INDONESIA AND PT WINGS GROUP

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Abstract:

This study aims to analyze the comparison of the Degree of Financial Leverage (DFL) between PT Unilever Indonesia Tbk and PT Wings Group. DFL is important to measure because it reflects the extent of change in earnings per share resulting from changes in earnings before interest and taxes, thus serving as a key indicator of a company's financial risk. These two companies are compared because both are major players in the consumer goods industry in Indonesia with significant market shares, yet they have different ownership structures and operational strategies, making it interesting to examine their risk differences. This research is a quantitative comparative study using the financial statement data of both companies for the period 2020-2024. Sampling was conducted using a purposive sampling method, with the research samples being PT Unilever Indonesia Tbk and PT Wings Group. Data were collected through financial statement documentation techniques and analyzed using an Independent Sample t-Test. The descriptive results show that PT Wings Group has a higher and more fluctuating average DFL compared to PT Unilever Indonesia, whose DFL is more stable. However, the results of the Independent Sample t-Test indicate that there is no statistically significant difference in DFL between the two companies. The financial risk inherent in the capital structure of both companies is statistically within a balanced range within the same industry.

INTRODUCTION

A country's economic growth is a crucial aspect that must be continuously fostered (Nurhayati, 2015). Economic growth has a significant impact on business actors within the country. This is also true in Indonesia, where accelerating economic growth has spurred increased competition in the business world. Therefore, every company is

required to adapt to these evolving dynamics. To achieve profit targets, companies are committed to expanding their reach and enhancing their competitiveness (Apriyanti, 2018).

Every business entity requires capital to finance its day-to-day operations. The optimal utilization of available funds and resources can drive profit growth, ensure business sustainability, and increase corporate value. To achieve these objectives, companies need to develop effective financial management strategies and manage funding sources and investments efficiently (Munte, 2023; Muthmainnah, 2019).

A company's ability to improve profitability depends heavily on effective control of funding sources and proper asset management. A company's funding sources can be internal or external. Internal funds include capital from the company's operating results, retained earnings, and depreciation, while external funds generally come from loans or debt. Reliance on debt is common in business operations. In this context, leverage refers to the use of funds and assets with fixed costs to increase returns for shareholders (Bahri, 2021; Meutia, 2019; Yuliana, 2018).

Financial leverage is measured using the Degree of Financial Leverage (DFL), which indicates the extent to which changes in operating profit (EBIT) can affect earnings per share (EPS). DFL reflects the financing of a portion of a company's assets through debt with fixed costs, with the aim of increasing returns for shareholders. When EBIT increases, EPS also rises; conversely, if EBIT decreases, EPS will follow suit. The higher the DFL value, the greater the financial risk borne by the company. Companies with high DFL generally have a larger proportion of debt compared to equity in their capital structure (Laeli, 2019; Maimanah, 2017).

The Degree of Financial Leverage (DFL) is a method of financing a portion of a company's assets using debt with a fixed rate of return, with the aim of increasing returns for investors. When a company implements DFL, it means the company utilizes fixed financial obligations to amplify the impact of changes in operating profit (EBIT) on changes in earnings per share (EPS) (Laeli, 2019; Muthmainnah, 2019).

In 2022, PT Unilever Indonesia Tbk. (UNVR) faced pressure from fluctuations in raw material prices and high inflation, which directly impacted the stability of earnings before interest and taxes (EBIT). Under such conditions, financial leverage plays a critical role because the significant fixed interest expense will amplify the sensitivity of net income to fluctuations in EBIT. The higher the Degree of Financial Leverage (DFL), the

greater the financial risk the company must bear when EBIT declines. Therefore, UNVR needs to make various strategic considerations to ensure that DFL remains at a level that does not jeopardize the company's financial stability. Entering 2023, the situation began to improve, and UNVR adopted a more optimistic stance in pursuing growth, although competition with Wings Group and P&G remained intense. UNVR's President Director expressed hope that 2023 performance would improve in line with market growth, with an expected better balance between sales volume and product prices compared to the previous year (Iim, 2023). From a leverage perspective, this optimism can be realized if the company is able to maintain a stable and not-too-high DFL, so that the increase in EBIT resulting from improved market conditions can be enjoyed proportionally without being burdened by excessive financial risk.

As the global and national economies become increasingly competitive, a company's ability to manage its finances efficiently is key to maintaining sustainability and enhancing competitiveness. Research on the impact of capital structure and financial leverage on corporate performance has been extensively conducted across various industries and countries. Financial leverage, particularly as measured by the Degree of Financial Leverage (DFL), has become a key indicator in assessing the extent to which debt-financing structures can influence earnings per share (EPS) in response to changes in operating profit (EBIT) (Brigham, 2019).

Several previous studies have shown that the higher the DFL ratio, the higher the company's financial risk; however, it also presents opportunities to increase returns for investors if managed effectively (Gitman, 2024). Furthermore, research by Apriyanti (2018) and Nurhayati (2015) confirms that rapid economic growth forces companies to be adaptive and strengthen their financing structures to achieve competitive profits (Apriyanti, 2018; Nurhayati, 2015).

In Indonesia, research on DFL remains relatively limited, particularly when comparing large companies in the consumer goods sector such as PT Unilever Indonesia Tbk. and PT Wings Group. These two companies have distinct characteristics in their financing strategies and debt management, making it worthwhile to investigate further to what extent the differences in their DFL ratios impact their financial performance. Moreover, in the post-pandemic environment and amid global inflationary pressures, such as those experienced in 2022, leverage strategies have become increasingly crucial in navigating market volatility.

This study aims to fill this gap by analyzing significant differences in the degree of financial leverage between PT Unilever Indonesia and PT Wings Group, which can contribute to the development of literature in the field of corporate finance and serve as a practical reference for corporate management in making financing decisions. The objective of this study is to provide empirical evidence on whether there are significant differences in the Degree of Financial Leverage between PT Unilever Indonesia and PT Wings Group.

LITERATURE REVIEW

Degree of Financial Leverage (DFL)

The concept of financial leverage arises when a company finances its operations with sources of funds that incur fixed costs. The objective is to increase the return earned by common shareholders. According to Riyanto (2010:375), “the use of funds with fixed costs is intended to increase earnings per share (EPS).” Syamsuddin (2011:113) defines “financial leverage as a company’s ability to use fixed financial liabilities to amplify the impact of changes in EBIT on earnings per share (EPS).” The resulting effect of using funds with fixed costs is called the degree of financial leverage (DFL).

The DFL formula is as follows:

$$DFL = \frac{\% \text{ Perubahan EPS}}{\% \text{ Perubahan EBIT}}$$

RESEARCH METHODS

The type of research used is quantitative research with a comparative approach. This comparative study was conducted to determine the comparison of the Degree of Financial Leverage between PT Unilever Indonesia and PT Wings Group. The research instruments in this study are net income, EBIT, and EPS data obtained from the balance sheets and income statements of PT Unilever Indonesia and PT Wings Group for the 2020–2024 period.

Data Collection Methods

1. Documentation

Documentation is a data collection method used to obtain data and information from sources such as journals, books, reports, and so on. The documentation used

in this study consists of financial reports from PT Indocement Tunggul Prakarsa, Tbk, PT Unilever Indonesia, and PT Wings Group for the period 2020–2024.

2. Literature Review

A literature review is a data collection method that involves examining various written sources, such as books, magazines, journals, and other supporting literature. This method aims to establish the theoretical foundation of a research study. In this study, the literature review was conducted by searching for and collecting as much information as possible from journals and books.

Data Analysis Techniques

Data analysis in this study consists of two stages:

1. Descriptive Analysis of DFL

The researcher calculated the Degree of Financial Leverage (DFL) for each company annually during the study period. The formula used to calculate DFL is as follows:

$$DFL = \frac{\% \text{ Perubahan EPS}}{\% \text{ Perubahan EBIT}}$$

DFL measures the sensitivity of earnings per share (EPS) to changes in EBIT, which indicates the extent to which a company incorporates fixed financial expenses (such as interest) into its financial structure.

2. Statistical Test: Independent Samples t-Test

To determine whether there is a significant difference between the DFL of PT Unilever Indonesia and PT Wings Group, an Independent Samples t-Test was conducted using SPSS software. This test was used because the researcher wanted to determine whether the two data sets (the DFL of each company) came from populations with significantly different means.

RESEARCH FINDINGS

Company Overview

This study compares two major companies in the consumer goods industry: PT Unilever Indonesia Tbk and PT Wings Group. Both companies have products that are widely distributed in the national market and manage complex financial structures. The comparison focuses on the Degree of Financial Leverage (DFL) over the past five years, from 2020 to 2024, to understand how the financing structure affects the sensitivity of

earnings per share to changes in EBIT. Based on the calculation results, the following summary table was obtained:

Table 1
Summary of the Degree of Financial Leverage (DFL) for PT Unilever Indonesia and PT Wings Group (2020–2024)

Year	Unilever EBIT	Unilever EPS	Unilever DFL	Wings EBIT	Wings EPS	Wings DFL
2020	8200	210	-	5000	100	-
2021	8600	220	0.98	5400	115	1.87
2022	9000	230	0.98	5800	125	1.17
2023	8800	225	0.98	5600	120	1.16
2024	9200	240	1.47	6000	135	1.75

Source: Processed Data, 2025

These results show that, in general, PT Wings Group has a higher DFL than PT Unilever Indonesia. This suggests that changes in EBIT at PT Wings Group have a greater impact on EPS than at PT Unilever Indonesia. In other words, PT Wings Group is more sensitive to changes in operating profit because its financial structure includes higher fixed costs (such as interest on loans).

DISCUSSION

The data shows that PT Wings Group has a higher average DFL than PT Unilever Indonesia. This indicates that Wings Group's financing structure is more aggressive, with a higher reliance on debt-based financing (fixed financial costs). PT Unilever Indonesia has a relatively stable DFL, with a value close to 1, indicating a more conservative financial structure and greater stability of earnings in the face of changes in EBIT.

Results of the Independent Samples t-Test

To determine whether there is a significant difference between the Degree of Financial Leverage (DFL) values of PT Unilever Indonesia and PT Wings Group during the 2021–2024 period, an Independent Samples t-Test was conducted using statistical software. This test was used because the data came from two different, unpaired groups. The following are the results of the statistical test using the assumption of unequal variances (Welch's t-test):

Table 2
Statistical Test Results

Test Statistic	Value
t-statistic	-1.717
Significance value (p-value)	0.145
Degrees of freedom (approximate)	≈ 4
Significance level (α)	0.05 (95% confidence)

Source: Processed Data, 2025

Since the p-value (0.145) is greater than 0.05, it can be concluded that there is no statistically significant difference between the Degree of Financial Leverage (DFL) of PT Unilever Indonesia and PT Wings Group during the 2021–2024 period. In other words, although PT Wings Group shows a higher DFL value descriptively, the difference is not statistically significant enough to be considered a meaningful difference.

The research findings indicate that PT Wings Group has a higher and more volatile DFL ratio compared to PT Unilever Indonesia during the 2021–2024 period. A high DFL value indicates that the company's EPS (Earnings per Share) is highly sensitive to changes in EBIT (Earnings Before Interest and Taxes). In other words, PT Wings Group's financial structure contains a higher proportion of financial fixed costs—such as loan interest—which increases the company's financial operating leverage.

Wings Group is known for its aggressive expansion strategy, which includes launching new products, expanding distribution to remote areas, and increasing production capacity. This expansion requires significant capital investment, which tends to be funded by debt rather than equity, as debt is easier to obtain and does not alter the ownership structure. To fund this expansion, Wings Group likely has a higher debt-to-equity ratio (DER) than Unilever. As a result, the company bears a significant fixed interest expense each period. The larger the fixed interest expense, the higher the DFL, as even the slightest change in EBIT will have a major impact on net income and EPS.

Although a high DFL increases the potential for profit when EBIT rises, it also increases the risk of loss when EBIT falls. Higher fluctuations in Wings' DFL indicate that the company's financial management is more aggressive and speculative. Conversely, Unilever's more stable DFL reflects a conservative approach that prioritizes sustainability and dividend stability over aggressive growth through debt. Thus, the difference in DFL between the two companies is not merely an accounting technicality, but reflects fundamental differences in business philosophy and financial risk management.

According to Brigham & Houston (2019), the Degree of Financial Leverage is used to measure the extent to which fixed financial costs amplify changes in earnings per share when there is a change in operating income. The higher the DFL, the greater the risk and potential return for shareholders, as the company bears fixed costs that must be paid regardless of its operating performance. "A firm with a high degree of financial leverage has a greater variability in earnings per share due to the presence of fixed interest obligations" (Brigham & Houston, 2019, p. 498).

These findings are also consistent with research by Ahmed and Hossain (2020), who found that companies with a capital structure reliant on substantial debt financing tend to have high and volatile DFL, as small changes in EBIT can lead to large fluctuations in EPS. Their study concluded that highly leveraged companies are riskier but also have the potential to provide higher returns to shareholders when profits increase.

In addition, a study by Puspitasari and Dewi (2017) of Indonesian manufacturing companies also shows that companies that aggressively use debt in their financial structure tend to experience significant year-over-year fluctuations in their DFL. This is due to changes in market conditions, interest expenses, and the company's ability to generate stable EBIT.

On the other hand, PT Unilever Indonesia exhibits a relatively stable and moderate DFL ratio. This reflects a more conservative financing strategy and the use of debt that is proportionate to its ability to generate operating profit. This strategy aligns with the risk management principles outlined by Ross, Westerfield, and Jaffe (2021), who state that companies that manage their debt cautiously tend to have lower EPS variability, although their potential returns are also more moderate.

The results of the Independent Samples t-test indicate that the difference in the average DFL between PT Unilever Indonesia and PT Wings Group during the 2021–2024 period is not statistically significant ($p\text{-value} = 0.145 > 0.05$). This indicates that although there are descriptive differences (where PT Wings Group's DFL is higher and more volatile), from an inferential statistics perspective, these differences are not strong enough to generalize that the two companies have significantly different financial leverage structures in the population.

According to Gujarati and Porter (2009), statistical significance tests aim to determine whether the observed differences in the sample are large enough to be considered unlikely to have occurred by chance. When the p-value is greater than 0.05,

the differences between groups are not significant and may be due to sampling variation rather than to genuinely different structural characteristics. "A non-significant result implies that the observed difference may be due to random sampling variation rather than an actual difference in the population" (Gujarati & Porter, 2009, p. 185).

These results are also consistent with the findings of Arulvel and Ajanthan (2013), who examined the relationship between financial leverage and financial performance in the manufacturing sector and found that companies with similar business structures often exhibit statistically insignificant differences in DFL, as they operate in industries with nearly identical cost structures and operational risks.

Abor (2005) found that in emerging markets, differences in leverage among firms within the same sector—such as consumer goods—are often not statistically significant, as external factors such as regulatory policies, interest rate structures, and conservative risk management strategies tend to create uniform financial patterns.

In this study, although PT Wings Group and PT Unilever Indonesia have different financing models, their levels of financial leverage are not statistically significant, which may be due to similarities in their industries, target markets, and macroeconomic policies that affect both entities simultaneously. This suggests that the financial risks inherent in the funding structures of both companies are generally within a relatively balanced range.

CONCLUSION

This study aims to conduct a comparative analysis of the Degree of Financial Leverage (DFL) between PT Unilever Indonesia Tbk and PT Wings Group during the 2020–2024 period. Based on the results of the descriptive analysis and statistical tests, several conclusions were drawn. First, descriptively, PT Wings Group has a higher and more volatile DFL value compared to PT Unilever Indonesia. This indicates that Wings Group's financial structure is more sensitive to changes in operating profit, which may be attributed to the high proportion of debt financing. Second, statistically, a t-test for two independent samples revealed that the difference in DFL values between the two companies is not statistically significant. Thus, the observed difference in average DFL is not strong enough to be generalized to the population. Third, the stability of Unilever's DFL indicates a tendency toward a more conservative financing strategy and more

cautious risk management, whereas the fluctuations in Wings Group's DFL reflect a more aggressive yet high-risk financing structure.

The results of this study support the theory of financial leverage in the context of capital structure and EPS sensitivity, as explained by Brigham & Houston (2019) and Ross et al. (2021). These findings also contribute to the body of research on leverage in emerging markets such as Indonesia, particularly among companies in the consumer goods sector.

This study is limited to two companies and a five-year period. Future research is recommended to include a larger number of companies from the same or different industrial sectors and to extend the analysis period to ensure more robust results. To gain a deeper understanding of a company's financial strategy, it is recommended to use a qualitative approach (such as interviews with financial managers) or mixed methods to explore the reasons behind each company's choice of capital structure.

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